CABINET

Date: 6 September 2021

Subject: Financial Report 2021/22 – Period 3 June 2021

Lead officer: Roger Kershaw

Lead member: Councillor Tobin Byers

Recommendations:

A. That Cabinet note the financial reporting data for month 3, June 2021, relating to revenue budgetary control, showing a forecast net adverse variance at yearend on net service expenditure of £4.74m, increasing to £7.452m when corporate and funding items are included.
B. That Cabinet approve the virement of £242k revenue budget between the Housing to Adult Social being the transfer of budget and clients (care & support related) from Housing budget to the placement budget.
C. That Cabinet note the contents of Section 5 and Appendix 5b of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2021-22	Budget 2022-23	Budget 2023-24	Narrative
	£	£	£	
Corporate Services				
Customer Contact Programme	(100,000)			Vired to a Specific Scheme
Customer Contact - Robotics Process Automation (RPA)	100,000			Vired from overall Programme
Children, Schools and Families				
William Morris - Capital Maintenance	(25,000)			Virements - projected spend capital maintenance
Hillcross - Capital Maintenance	55,000			Virements - projected spend capital maintenance
Sherwood - Capital Maintenance	77,000			Virements - projected spend capital maintenance
Harris Academy Wimbledon - New School	20,000			Virements - projected spend capital maintenance
Perseid Expansion	(20,000)			Virements - projected spend capital maintenance
Perseid - Capital Maintenance	(25,000)			Virements - projected spend capital maintenance
West Wimbledon - Capital Maintenance	50,000			Virements - projected spend capital maintenance
Unallocated Capital Maintenance Budget	35,000			£167k School Contributions - £132k virement to specific schemes
Environment and Regeneration				-
Highways and Footways - Highways bridges & structures	(105,000)			Building Enhancements and Increased Capacity to Salt Store initially funded by virement
Highways and Footways - Salt Barn Upgrade	105,000			
CCTV Investment - CCTV and Infrastructure Upgrade	(662,100)	107,630	554,470	Profiled in line with projected spend
Morden Regeneration - Morden Town Centre Imp	(300,000)	200,000		Profiled in line with projected spend - £100k to Revenue
Total	**(795,100)**	**307,630**	**554,470**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 3 monitoring report for 2021/22 presented in line with the financial reporting timetable.
This financial monitoring report provides -

- A full year forecast projection as at period 3.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2021/22;

- Progress on the delivery of the 2021/22 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process for 2021/22 continues to focus on the ongoing financial impact of Covid-19. The Council's services remain under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue for some time. The detrimental impact of Covid-19 is being monitored closely as the situation evolves with lifting of restrictions.

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £37.395m by the end of this financial year.

2.3 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances.

3. 2021/22 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 3 to 30 June 2021, the yearend forecast is a net adverse variance of £7.452m when all incremental Covid costs are included, after applying known government grant funding.

Summary Position as at 30th June 2021

	Current Budget 2021/22 £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	Covid-19 Forecast £000s	Outturn variance 2020/21 £000s
Department					
Corporate Services	11,865	1,392	1,378	1,152	3,746
Children, Schools and Families	62,823	206	(1,393)	714	(2,971)
Community and Housing	69,403	(1,074)	(844)	858	(2,264)
Public Health	(0)	0	0	0	(18)
Environment & Regeneration	14,379	4,214	4,245	5,002	10,689
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	**158,469**	**4,738**	**3,386**	**7,726**	**9,182**
Corporate Items					
Impact of Capital on revenue budget	11,157	(145)	0	0	(27)
Other Central budgets	(6,223)	(43)	(43)	0	2,151
Levies	959	0	0	0	0
TOTAL CORPORATE PROVISIONS	**5,894**	**(188)**	**(43)**	**0**	**2,124**
Covid-19	**0**	848	760	**848**	**176**

TOTAL GENERAL FUND	**164,362**	**5,398**	**4,103**	**8,574**	**11,306**
FUNDING					
Revenue Support Grant	(5,187)	0	0	0	0
Business Rates*	(34,339)	1,596	1,596	1,596	0
Other Grants*	(16,949)	0	0	0	(382)
Council Tax and Collection Fund	(98,434)	458	458	458	4
COVID-19 emergency funding**	(6,811)	0	(5,056)	0	0
Income compensation for SFC	(2,643)	TBC	TBC	TBC	
FUNDING	**(164,363)**	**2,054**	**(3,002)**	**(2,935)**	**(378)**
NET	**(0)**	**7,452**	**1,101**	**5,638**	**10,928**

**Difference between May and June forecast due to the correction of a miscoding (due to the complexity of the accounting arrangements required for covid grants) which previously caused budgeted relative needs grant income to be shown as a favourable variance as opposed to on budget

The current level of GF balances is £14.0m and the minimum level reported to Council for this is £14.0m.

Covid-19 Financial Impact

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This involves a 5% deductible rate, whereby the Council absorbs up to 5% and the government compensation covers 75p in every pound of relevant loss thereafter. The scheme has been extended for the first quarter of 2021/22 but it's not yet confirmed if any further extension will be made. Amounts expected from the income compensation scheme will be included in the forecast tables as and when they are confirmed, subject to clarification as to whether any excess may need to be repaid upon completion of the scheme. At the time of writing, the estimated claim for April to June 2021 under the scheme is £2.2m.

The ongoing situation with high levels of uncertainty and change around the timing for restrictions being lifted continues to make forecasting difficult for the year ahead.

Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs not covered by specific covid grants, such as additional cleaning costs and the community hub.

Income shortfall

Income budgets are included within departments so the impact of Covid-19 on lost income is reflected in departmental forecasts.

Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2021/22 as part of the budget setting process. The savings which are now under pressure due to Covid-19 are included in the forecast of the departments. This is inclusive of 2020/21 savings which remain under pressure.

Covid-19 Summary

COVID-19 COST SUMMARY	Forecast as at June 2021 2021/22 £000s	Forecast as at May 2021 2021/22 £000s
Department	-	-
Corporate Services	1152	1147
Children, Schools and Families	714	714
Community and Housing	858	517
Environment & Regeneration	5,002	4,768
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**7,726**	**7,146**
Corporate Items - Covid costs	-	-
Corporate Services	204	145
Children, Schools and Families	150	150
Community and Housing	198	169
Environment & Regeneration	296	296
ADDITIONAL COVID EXPENDITURE	**848**	**760**
FUNDING	-	-
Business Rates	1,596	1,596
Council Tax	458	458
TOTAL FUNDING LOSS	**2,054**	**2,054**
GROSS COST OF COVID-19	**10,628**	**9,960**
Covid general funding	**-6,811**	**-5,056**
Income compensation for sales, fees & charges	**TBC**	**TBC**
NET COST OF COVID-19	**3,817**	**4,904**

Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Council Tax and Business Rates collected will be less than budgeted for 2021/22 when the budget was approved by Council in March 2021. There is usually a small surplus or deficit which arises because the amount collected during the year will vary for different reasons such as new properties coming on stream during the year, or people and businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and will result in deficits in both Council Tax and Business Rates for the financial year 2021/22.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow but the position is starting to settle down in 2021-22. Through prudent treasury cash flow procedures, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).
In light of Government relief announcements made last year, the Council continues to see a

reduction in income. Therefore, in order to meet its commitments going forward the decision was made to keep the bulk of the Council's available funds in cash/MMFs to maintain liquidly. This approach helped the council meet its cash flow needs and avoided any short term unplanned borrowing. The Council has now increased its MMFs investment limits and the number of MMFs to maintain a healthy liquid position. However, as we can now see the signs of the UK economy returning to some sense of normality and the confidence provided by the vaccine we expect the Council's cash flow to stabilise going forward. This will help us to place any excess cash in suitable short term fixed term deposits and earn improved returns.
Cash flow is monitored on a daily basis and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there remains a concern over the longer term in the context of the DSG deficit. However, if a cash shortfall occurs, the Council has the option to borrow from the market in order to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	Current Budget £000	Full year Forecast (June) £000	Full Year Forecast Variance (June) £000	Full Year Forecast Variance (May) £000	Covid-19 Forecast Impact (June) £000	Outturn Variance 2020/21 £000
Customers, Policy & Improvement	5,497	5,393	(104)	(140)	45	915
Infrastructure & Technology	12,523	12,687	164	264	166	(51)
Corporate Governance	2,009	1,988	(21)	93	0	(88)
Resources	5,695	6,457	762	617	821	1,811
Human Resources	1,903	2,093	190	206	120	102
Corporate Other	710	1,111	401	338	0	1,057
Total (Controllable)	**28,337**	**29,729**	**1,392**	**1,378**	**1,152**	**3,746**

Overview
At the end of period 3 (June) the Corporate Services (CS) department is forecasting an adverse variance of £1.392m at year end, of which £1,152m is due to the external impact of covid-19. The adverse variance has reduced since period 2 (May) by £14k.

Customers, Policy and Improvement - £104k favourable variance
The favourable variance in the division is mainly due to various vacancies expected to be held for part of the year, such as in the AD and Programme Office budgets. Additional favourable variances include £44k due to an over-achievement of income forecast against the cash collection saving and £45k against the Voluntary Sector Coordination budget. The Registrars services is also forecasting a favourable variance of £45k due to the strong recovery of income levels following the easing of covid restrictions earlier this year. The forecast income in this service is cautious at this stage but will be kept under review as uncertainty remains around how long the surge in demand might last.

Partly offsetting the above is the Press and PR budget which is forecasting a £94k adverse variance owing to the use of agency staff to cover the Head of Communications post pending the completion of a restructure. There is also a £50k adverse variance in the Translations services due to under-achievement against the income budget as external demand remains low and a £29k adverse variance in the Policy and Strategy team partly due to the use of agency staff earlier in the year.

The forecast favourable variance in the division has reduced by £36k since May. This is mainly due to an updated projection for the use of agency staff within the Merton Link team.

Infrastructure & Technology - £164k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £214k on the Corporate Print Strategy and £104k on the PDC (Chaucer Centre). These will be reviewed throughout the year and may improve depending on the level of staff returning to the office. Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £85k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£31k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted and £74k in Safety Services due to recruitment lag being forecast as well as contingency not expected to be required in year. Business Systems are also forecasting a £59k favourable variance due to vacancies being held in the team and there is a favourable £51k variance forecast for Garth Road from rental income.

The overall forecast adverse variance within Infrastructure and Technology has reduced by £100k since May. This is predominantly due to the inclusion of rental income forecast for Garth Road, improved room bookings for the PDC (Chaucer Centre) and additional recruitment lag within the Business Systems team due to difficulty experienced in recruiting.

Corporate Governance – £21k favourable variance

The variance within Corporate Governance is a result of various favourable variances, offset in part by prior year unachieved savings totalling £115k within the Legal service. This will continue to be reviewed and reported as part of the progress on savings for Corporate Services.

Favourable variances within the division include £24k within Democracy Services from IT costs and Mayor's allowances spend being less than budgeted, £20k across Electoral Services largely from less than budgeted canvass pay, £31k in Information Governance reflecting a restructure coming into effect mid-year and £75k within the South London Legal Partnership (SLLp). SLLp is currently forecasting a £355k surplus overall, £75k is forecast to be LBM's share. The variance in SLLp is largely due to reduced running costs as staff largely continue to work remotely and less than budgeted staffing costs.

The forecast variance for the division has a £114k movement since May, from an adverse £93k to a favourable £21k. This is mainly due to the SLLp surplus being forecast and the reduced salaries cost within Information Governance.

Resources - £762k adverse variance

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive's budget has a £172k adverse variance mainly due to the use of an interim Head of Recovery as a result of the pandemic, as well as additional communications spend. Also due to covid is an adverse variance in the Bailiffs service forecast of £531k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic improve and the service is able to operate more fully. Covid's impact on income also extends to the Local Taxation Service which has a £45k adverse forecast largely due to under achievement against court costs, though this is in part offset by additional funding from the GLA and new burdens income from DWP.

The Corporate Accountancy service is forecasting a £109k adverse variance which includes an increase in fee proposed by the Council's external auditors, EY, though confirmation of the fee increase is still outstanding. A further adverse variance of £118k is forecast on insurance premiums though an updated projection is expected in the coming months when the impact on the cost of insurance premiums as a result of six schools leaving the insurance SLA arrangement is confirmed with our insurance provider. The Financial Systems Team is forecasting a £49k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Favourable variances within Resources include £16k and £17k on Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not required in year. The Capital and Strategy team and the Support team within Revenues and Benefits have a £18k and £25k favourable variance respectively, mainly against staffing costs. Within the Benefits Administration service a £156k favourable variance is largely due to receipts from DWP.

The adverse variance forecast within Resources has increased by £145k since May. This is mainly due to reduced income forecast from schools for the insurance service, additional communications spend expected within the Chief Executive's budget and the revenue cost of upgrading the financial system.

Human Resources – £190k adverse variance

The adverse variance in HR is made up of the AD budget (£57k variance) and Learning and Development budget (£50k variance) as a result of the use of agency staff. Additionally, there is an adverse variance of £127k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. This is reflective of a saving not expected to be achieved in year as new contract negotiations were delayed as a result of covid during 2020/21.

The Payroll service is anticipating a £23k favourable variance across various staffing and running costs as well as overachievement of income.

The adverse variance forecast within HR has reduced by £16k since May. This is due to a reduction in agency staff spend included within the forecast.

Corporate Items - £401k adverse variance

The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £682k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2021/22 and is inclusive of £100k allowance for topping up the bad debt provision at year end in line with the level of top-up required in 2019/20 and 2020/21.

Partly offsetting the above are favourable variances on the corporately funded items budget of £196k due to budget not expected to be required in year, £50k on the added years pension budget and £45k net income forecast for the recovery of old Housing Benefits debts previously written off.

The adverse forecast variance for Corporate Items has increased by £63k since May. This is due to a reduction on the income forecast for subsidy on HB overpayments, partly being offset by a reduced forecast for spend on the Coroners Court service following an update received from Westminster Council.

Environment & Regeneration

Environment & Regeneration	2021/22 Current Budget £000	Full year Forecast (June) £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2021/22 Covid-19 Forecast Impact (June) £000	2020/21 Outturn Variance £000
Public Protection	(16,773)	(13,722)	3,051	3,322	3,452	8,973
Public Space	16,256	17,113	857	793	1,006	2,003
Senior Management	1,043	846	(197)	(190)	0	(134)
Sustainable Communities	8,071	8,574	503	320	544	(153)
Total (Controllable)	**8,597**	**12,811**	**4,214**	**4,245**	5,002	**10,689**

Description	2021/22 Current Budget £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2020/21 Variance at year end £000
Regulatory Services	625	232	289	194
Parking Services	(18,414)	2,748	3,038	8,804
Safer Merton & CCTV	1,016	71	(5)	(25)
Total for Public Protection	**(16,773)**	**3,051**	**3,322**	**8,973**
Waste Services	14,602	651	498	875
Leisure & Culture	549	385	366	764
Greenspaces	1,834	(113)	0	525
Transport Services	(729)	(66)	(71)	(161)
Total for Public Space	**16,256**	**857**	**793**	**2,003**
Senior Management & Support	1,043	(197)	(190)	(134)
Total for Senior Management	**1,043**	**(197)**	**(190)**	**(134)**
Property Management	(2,634)	(36)	(112)	(381)
Building & Development Control	(15)	257	75	281
Future Merton	10,720	282	357	(53)
Total for Sustainable Communities	**8,071**	**503**	**320**	**(152)**
Total Excluding Overheads	**8,597**	**4,214**	**4,245**	**10,689**

Overview

The department is currently forecasting an adverse variance of £4,214k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Development & Building Control, and Future Merton.

Public Protection

Regulatory Services adverse variance of £232k

The section has implemented agreed income savings of £210k over recent years relating to potential commercial opportunities. However, the focus for the financial year 2020/21 needed to refocus from income generation to service improvement including a major IT project. The IT transition Project is scheduled for completion by the end of the calendar year but the section will look to focus efforts on generating additional income, for example, through the provision of business advice and identification of unlicensed businesses prior to the completion of this project.

Covid-19 continues to impact licensing income due to continually changing business restrictions resulting in a reduction of temporary event notices (TENS) and income from hair & beauty premises which remained closed during the early part of the financial year. As step 3 of the government roadmap continued some hospitality premises reopened with limited capacities which marginally improved income. The shift to Step 4 from the 19th July may improve income further through an increase in TENS income, but this will not resolve the loss of income for the first four months of the financial year. Current forecasts estimate an adverse variance against budget of £47k.

Parking Services adverse variance of £2,748k
Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Analysis to better understand the short and longer term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £414k, £1,334k, and £1,089k respectively.

Contributing to the PCN adverse variance is a 2020/21 and 2021/22 saving (ENV1920-01) of £680k relating to an application to change Merton's PCN charge band from band B to band A, which is now not expected to be implemented until October 2021. This results in an estimated shortfall against saving of £340k at this stage.

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. It is too early to tell exactly how behaviour has been affected, which is being compounded by the impact of Covid-19, but work continues to try and better understand this.

<u>Public Space</u>

Waste Services adverse variance of £651k
The section is forecasting an adverse variance on disposal costs of £369k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services. In order to mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

Covid-19 also continues to impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering, resulting in a net adverse variance against budget of £108k. The service is confident that once restrictions are fully lifted and the town centres re-open, the level of direct engagement and issuing of FPNS will return to pre Covid-19 levels.

An adverse variance of £164k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract during 2020/21, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The service is currently exploring alternative access for residents to neighbouring sites along with implementing improvements to the current booking system which has contributed to the management of waste volumes. To date there are no planned service changes and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

A favourable variance on employee related spend of £117k is partially mitigating these adverse variances.

Leisure & Culture adverse variance of £385k
Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL, and forego the guaranteed income due. Recovery forecasts estimate income returning in October 2021, which equates to an income shortfall of about £408k.

The continuation of Covid-19 related restrictions at the Wimbledon Sailing Base has also led to programmes with less attendees being available, resulting in a net adverse variance of £45k being forecast.

A favourable variance on employee related spend of £93k is partially mitigating these adverse variances.

<u>Sustainable Communities</u>

Building and Development Control adverse variance of £257k
Covid-19 has also had a significant impact reducing various types of building and development control applications being submitted, leading to the section forecasting an associated income shortfall against budget of £297k.

This adverse variance is being partially reduced by a favourable variance on supplies & services spend (£35k).

Future Merton adverse variance of £282k
The section continues to incur staff and legal costs in relation to Bishopsford Bridge, for which there is no budget, leading to a forecast adverse variance of £146k.

The section is also forecasting a net adverse variance of £156k in relation to the footways & highways reactive maintenance costs. Merton has a statutory duty to maintain its highway network in accordance with Section 41 of the Highways Act 1980. The safety inspections that are undertaken are designed to identify defects that meets the Council strict intervention criteria. Defects that require intervention legally need to be addressed.

Merton's policy (with regards to safety inspections) was updated in May 2019, to comply with the changes to the Well Managed Highway Infrastructure Code of Practice – Risk Based Approach, and Merton's intervention levels to repair are predominately the same throughout all London authorities. Unfortunately it is very difficult to forecast reactive spend on the highway network and this is due to nature of the street, the streets inspection regime, type of defect, and repair required.

A contributing factor for this adverse variance is the removal of investment/funding Merton has received via TfL on our Principal Road Network since 2018/19 where we would have received c£424k per annum, meaning we have had to use our own capital funding for resurfacing to repair 'A' roads (Principal Roads). The net impact is that Merton funding for non-principal road and unclassified roads have been stretched further (and as agreed, capital investment was reduced by £300k for 2020/21 onwards) and, together, this has resulted in an increase in reactive repairs since 2019/20. In short, TFL's withdrawal of funding for their network, coupled with a planned reduction in capital (planned maintenance) is leading to a faster deterioration of the network, requiring more (revenue) reactive repairs.

Covid-19 has also significantly affected the section's ability to generate income. Firstly, an adverse variance of £185k is being forecast in relation to the income received from the contract for the provision of bus shelters and free standing units advertising within Merton, due to delays in the installation of digital advertising panels following covid related delays in gaining planning consent, and the rejection of approximately one-third of proposed locations.

The section also implemented a £100k saving during 2019/20 in relation to providing services to

Merantun Development Limited (MDL). However, this saving can no longer be achieved due to MDL's closure, so an alternative saving will need to be presented to Cabinet in due course.

These adverse variances are being partially mitigated by favourable variances on street work & permits activity (£152k), costs associated with CPZ consultation and implementation (£64k), and temporary traffic orders income (£40k).

Children Schools and Families

Children, Schools and Families (£000's)	2021/22 Current Budget	Full Year Forecast	Forecast Variance June	Forecast Variance May	2021/22 Covid Forecast Impact	2020-21 Year Variance
Education						
Education Budgets	17,035	17,064	29	(688)	274	(1,719)
Depreciation	9,801	9,801	0	0	0	0
Other Education Budgets	127	127	0	0	0	(84)
Education Services Grant	(1,062)	(1,062)	0	0	0	0
Education Sub-total	**25,901**	**25,930**	**29**	**(688)**	**274**	**(1,803)**
Other CSF						
Child Social Care & Youth Inclusion	21,012	20,967	(44)	(753)	440	(908)
Cross Department	908	956	48	48	0	48
PFI Unitary Costs	8,168	8,275	107	0	0	280
Pension and Redundancy Costs	1,592	1,659	67	0	0	(589)
Other CSF Sub-total	**31,680**	**31,857**	**178**	**(705)**	**440**	**(1,169)**
Grand Total	**57,581**	**57,787**	**207**	**(1,393)**	**714**	**(2,972)**

Overview

At the end of June 2021, the Children Schools and Families directorate is forecasting an adverse variance against budget of £0.207m on local authority funded services. Although this is an adverse movement since period 2 of £1.6m, over the last sixteen months expenditure has been temporarily depressed due to activities unable to happen and reduced referrals. Period 2 budget monitoring reflected this and was in line with the year-end position. In period 3 we have started to see a return to more normal levels of activity, including a spike in high cost placements and we are reflecting this in the forecast. Alongside this, we are planning on a return to more normal levels of education activity (including transport from September).

£714k Covid-19 cost pressure has been identified relating to savings shortfalls from the last financial year. These have been included in the forecast position. There remains considerable uncertainty about the likely level of increased costs due to Covid-19. The impact of the pandemic is emerging in increased safeguarding referrals and this coupled with delays in the family courts mean that some children's plans cannot be progressed quickly enough which has increased the number of children on child protection plans open to the service, placing pressure on social worker's caseloads. An additional project team has been secured to help with the increased demand. An additional £100k covid19 related loss of income has also been forecast for this year although significant uncertainty currently surrounds this estimate.

It remains difficult to forecast the patterns of demand across all services as families, communities and services return to normal life. We continue to monitor the situation closely and respond in a timely way to changes. It is likely that the current forecast will change as the situation becomes clearer.

Local Authority Funded Services

The table below details the significant budget variances identified to date:

Local Authority Funded Services (£000's)	Budget	June Variance	May Variance	202021 Outturn Variance
Child Social Care and Youth Inclusion				
Adolescent & Family Services	£ 2,113	-£ (29)	£ 28	£ 28
Asylum Seeker Costs (14+)	£ 137	£ 46	£ 19	£ 19
Asylum Seeker Costs (ART)	£ 306	-£ (75)	-£ (738)	-£ (738)
Children Cntrl Social Wrk Serv	£ 4,285	-£ (270)	-£ (171)	-£ (296)
Head of ChildSoclCare& YthIncl	£ 213	£ 8	£ 14	-£ (16)
Mash & Child Protection Serv	£ 2,643	-£ (207)	£ 144	£ 144
Safeguarding, Stndrds & Train	£ 1,322	-£ (165)	-£ (56)	-£ (56)
Senior Management	£ 274	-£ (62)	-£ (58)	-£ (58)
Children In Care and Resources	£ 9,719	£ 709	£ 65	£ 65
CSC & Youth Incl Total	***21,012***	***-44***	***-753***	***-908***
Education				
Contracts, Proc & School Org	£ 7,425	£ 32	-£ (146)	-£ (159)
Early Years & Children Centres	£ 4,232	£ 114	-£ (223)	-£ (207)
Education - School Improvement	£ 3	£ 48	£ 25	-£ (36)
Education Inclusion	£ 1,684	-£ (25)	-£ (276)	-£ (279)
Schools Delegated Budget	£ -	£ -	£ -	£ -
SEN & Disability Integrat Serv	£ 2,093	-£ (374)	-£ (336)	-£ (1,306)
Senior Management	£ 864	£ 120	£ 209	£ 209
Policy, Planning & Performance	£ 523	£ 113	£ 113	£ 113
Departmental Business Support	£ 211	£ -	-£ (54)	-£ (54)
Education Total	**£ 17,035**	**£ 29**	**-£ (688)**	**-£ (1,719)**

<u>Children's Social Care and Youth Inclusion Division</u>

The majority of the movement from period 2 to period 3 relates to the Children in Care service which is recording an adverse forecast of £709k compared with budget. This service has until now had relatively few high cost residential placements. During period 3 this position has changed with several children with more complex needs requiring placements, each of these children can cost up to £250k per annum to support. High cost placements are reviewed weekly by the Head of Service to ensure that they remain appropriate and to explore other options.

Work is currently underway with this service to focus on a number of areas:

- ensure that Merton receives a fair contribution for cases through the tri-partite process with health;
- improve commissioning and procurement activity to ensure best value is obtained through a more systemised purchasing approach;
- a move to more activity based forecasting across the division as a whole.

The impact of these actions will be reflected within future monitoring updates.

The Division overall is forecasting a positive variance against budget of £44k at period 3.

As part of the forthcoming CSC staffing restructure the cost centre structure is being revised which will significantly reduce the number of cost centres whilst still maintaining an appropriate level of financial granularity. This will both reduce the time taken to produce forecasts and should improve the quality of forecasting overall.

Education Division

The Education Division forecast is based on a spend situation returning to more normal levels. The period 3 budget shows an adverse movement from period 2 of £717k. This is explained by three key variations:

- Contracts, Procurement and School Organisation shows an adverse movement of £178k. This relates to a shortfall in the covid winter grant (£73k) and a revision profile of expenditure of SEND taxis (£121k);

- Early Years shows an adverse movement of £337k, this is the result of an expected cost pressure relating to Short Breaks (£218k).

- Education Inclusion adverse movement of £251k. Youth Services did not offer direct work during lockdowns; sessional staff were not paid extra hours and there was no activity costs. This has now changed and costs are expected to return to a more normal pattern.

The Division overall is forecasting an adverse variance against budget of £29k.

Schools PFI

Initial work in this area is forecasting an adverse position of £107k to budget. Further work re-modelling this area will be undertaken in the coming months.

Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget		June Variance		May Variance		202021 Outturn Variance	
Education								
Contracts, Proc & School Org	£	286	£	9	-£	(33)	-£	(33)
Early Years & Children Centres	£	16,335	-£	(156)	-£	(8)	-£	(1,286)
Education - School Improvement	£	1,107	-£	(86)	-£	(49)	-£	(49)
Education Inclusion	£	1,468	£	51	-£	(31)	£	153
SEN & Disability Integrat Serv	£	17,468	£	11,046	£	13,318	£	12,592
Sub-total	£	36,664	£	10,863	£	13,197	£	11,377
CSC & Youth Inclusion								
Adolescent & Family Services	£	43	-£	(4)	-£	(3)	-£	(4)
Sub-total	£	43	-£	(4)	-£	(3)	-£	(4)
Schools Delegated Budget								
DSG Reserve	£	-	£	-	£	-	-£	(12,233)
Retained Schools Budgets	£	2,841	-£	(1,823)	-£	(2,764)	-£	(699)
Schools Delegated Budget	-£	(39,784)	£	3,378	£	3,022	£	1,559
Sub-total	-£	(36,943)	£	1,555	£	258	-£	(11,373)
DSG Total	**-£**	**(236)**	**£**	**12,414**	**£**	**13,452**	**£**	**-**

DSG funded services are forecasting an overspend of £12.414m. The change in variance to the overall budget since period 2 reflects the move from the indicative to final DSG budget which was updated by finance this month.

The DSG had a cumulative overspend of £24.981m at the end of 2020/21.

Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country at the end of 2020-21. The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit under control. We have until the 30th July to confirm participation in this programme.

The main reason for the adverse forecast variance from budget relates to a £8.519m adverse variance on Independent Day School provision. The reason for the significant overspend is due to the high number of placements. The forecast this month has increased by 17 pupils with an average cost of £48k per placement.

Based on past years' experience, we are expecting the number of placements within Independent day school provision to increase in the year. At this stage it is difficult to predict how many EHCPs' will be issued, or the type of education provision they will require Requests for EHCPs go through assessment and a decision about issuing a plan and the type of provision is made once all the professional advice is received and reviewed by the SEND Panel.

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect this cost to still increase towards year-end and the £24.981m cumulative deficit to increase further.

Other adverse variances include £2.542m on EHCP allocations to Merton primary and secondary schools, £2.104m on out of borough maintained primary, secondary and special school payments, post 16 provision is forecasting a pressure of £662k.

Since period 1 we have seen an increase from 2032 finalised EHCPs to 2214 EHCPs in period 3 which is an increase this financial year of 182 finalised EHCPs. As at period 3 we have 197 EHC Needs assessments being undertaken at various weeks within the 20 week statutory timescale. It should be noted that since COVID we have seen a significant increase in referrals for an EHC Needs assessments.

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. We are also working with other authorities on the DSG deficit issue.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2021/22 and beyond, some schools are also having trouble in setting balanced budgets with the funding provided to them through the funding formula.

The Finance Service monitors this closely, and before any deficit budget is agreed, work is undertaken with the school to ensure they are maximising every opportunity to reduce costs and spend wisely. There are various reasons for schools requiring to set deficit budgets, increased costs relating to children that require additional support but do not meet statutory thresholds for additional funding, reduction in pupil numbers, reduced levels of reserves that schools would previously have used to balance their budgets and loss of income due to Covid-19. Total school balances, including capital balances, did slightly increase last year.

Merton has been working in conjunction with Association of Directors for Children's Services (ADCS), Society for London Treasurers (SLT), London Councils and the Children's Commissioner to lobby Central Government for additional funding. All commissioned analysis shows that the funding shortfall is a national issue that requires additional grant funding.

Community and Housing

Community and Housing	2021/22 Current Budget £'000	2021/22 Full Year Forecast Jun'21 £'000	2021/22 Full Year Forecast Variance Jun'21 £'000	2021/22 Full Year Forecast Variance May'21 £'000	2021/22 Covid-19 Forecast Jun'21 £'000	2020/21 Outturn Variance £'000
Adult Social Care	58,515	57,095	-1,419	-1,135	738	-2,947
Libraries and Heritage	2,475	2,567	91	107	120	195
Merton Adult Learning	0	0	0	0	0	0
Housing General Fund	3,575	3,828	253	184	0	489
Public Health	-163	-163	0	0	0	0
Total Favourable/Unfavourable	64,402	63,327	-1,075	-844	858	-2,263

Overview

Community and Housing is currently forecasting a favourable variance of £1.1m as at June 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.4m, and unfavourable variances in Housing of £253k, and Libraries of £91k. Public Health and Merton Adult Learning are forecasting a breakeven position.

The forecast reflects the uncertainty surrounding the impact of the pandemic on the departments' budgets and is best on the best information available.

<u>**Community and Housing Summary Position**</u>

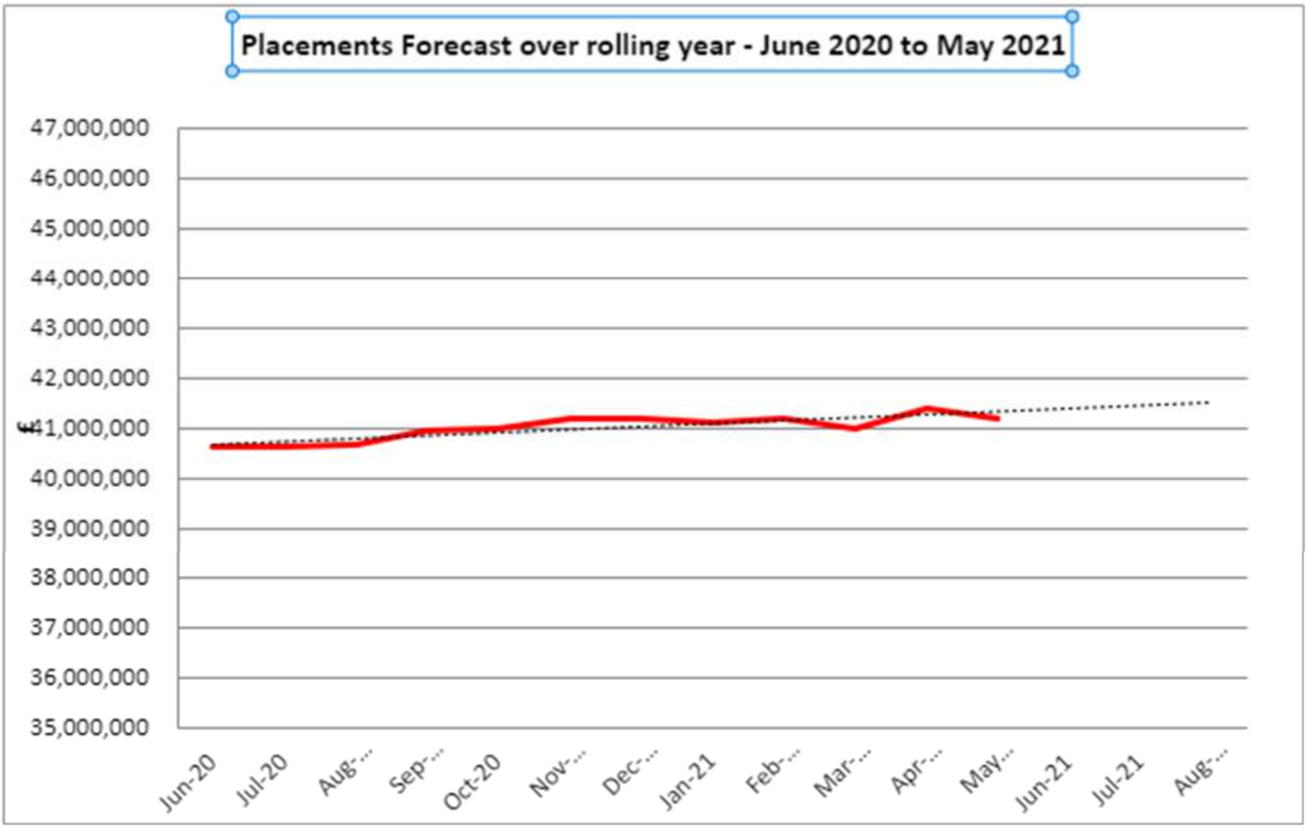
Adult Social Care

Adult Social Care is forecasting a favourable variance of £1.4m as at June 2021, compared to £2.9m at year end as a one off covid-19 impacts are dissipating. The increase from May 2021 is due to a reduction in forecasted placements of £189k and updated forecasts on the department's recovery plans. The current placement forecast is based on May's data for expenditure and income. The current year includes a net decrease of 3 care packages in May but to date a net increase of 23 care packages.

The continuing hospital discharge and community support process based on the national discharge policy via the NHS (National Health Service) continues for quarter 1 & 2 to assist with post discharge cost to enable recovery and reablement following discharge from hospital. Whereby the rules differ for April to June where up to six weeks of care will be funded and from the July to September only up to four weeks of care will be funded by the government via the NHS. It is expected that these arrangements will continue post September but will not be funded by the NHS, but it may be mandated that this is funded from the current Better Care Fund arrangement without any additional funding. This may cause a cost shunt or a cancellation of existing BCF (Better Care Fund) arrangements where it has already been allocated to fund particular spend items.

The service continues to receive referrals of customers discharged from hospital and NHS funded discharge care during 2021/22 however the total cost of this potential pressure is uncertain at this stage. The forecast reflects the best understanding of the risk. It is expected that some customers are expected to qualify for Continuing Health Care (CHC) or will be self-funders. The service will continue to monitor the data of likely discharges into social care. Many boroughs around the country are experiencing an increase in demand for care, increase in care packages, and carer's exhaustion which could be due to the impact of covid-19 however as at May's placement report this is not apparent as yet for LBM. Thus, the department expects an influx of additional customers during 2021/22 with a variety of covid-19 related conditions which will place pressure on its budgets

The trend line in the graph below that the forecasted expenditure of gross placements is expected to plateau and increase after the previous reductions due to an aging population, impact of the covid-19 pandemic.



The current favourable variance also includes vacant posts that are in the process of being recruited to so that the department have the necessary capacity for winter to meet demands.

Adult Social Care Internal Provision – Unfavourable Variance - £102k

This service unfavourable variance of £102k has improved since May. However, the unfavourable variance is mainly due to a loss of income across the services caused by the loss of income from Mascot from a drop in individual customers and several housing associations changing their contract arrangements. This is further compounded by the partial closure of day centres at the beginning of the year and the subsequent reduction of the daily intake leading up to 'Freedom Day'. These reductions will continue as we will be unable to increase numbers until Public Health guidance changes, which will not happen while case numbers for COVID remain high.

At present the service cannot take out of borough customers into day services so are predicting a continued loss of income. The service is also losing income from letting its buildings to the community for various activities.

Salaries are over budget at Meadowsweet and Mascot, due to staff absences including maternity leave and some long-term sick cases which are being worked through.

Library & Heritage Service- Unfavourable Variance - £91k

This service as at the end of June is showing an unfavourable variance of £91k which is an improvement of £15k since May, which is due to changes in salary forecasts because of staffing vacancies.

The unfavourable position is due to loss of income from libraries of £120k because of the pandemic. There is also a £28k overspend on the security services due to an increase in the contract value due to the Living Wage and inflation.

In terms of recovery the libraries returned to pre-pandemic levels of opening hours from 19 July 2021. Safety measures remain in place including increased cleaning and face mask wearing. It will also maintain its enhanced online offer, which has seen a significant increase during the pandemic.

Adult Learning- Breakeven position

Adult Learning continues to forecast a breakeven position. Merton Adult Learning is fully funded by external grants from the GLA (Greater London Authority) and ESFA (Education and Skills Funding Agency).

During the summer term the service has continued to increase physical courses alongside pre-existing online courses and new curriculum provision is planned from September onwards. New curriculum areas focus on developing resident skills for the job market and digital skills.

Housing General Fund- Unfavourable variance - £253k

This service is currently forecasting an unfavourable variance increased by £69k. This demand and statutory led service is expected to see the impact of the removal of the moratorium on evictions and the enactment of the Domestic Abuse Act. However, it is difficult to predict at this stage as the potential financial impact to the service based on previous experience of national change or directive takes time to have an impact on the local budget.

However, notwithstanding the challenges of predicting demand upon the TA (Temporary Accommodation) budget there is also the need to be mindful of the effects to TA subsidy, HB contributions and client contributions which are all factors which shape the service’s predictions. The rough estimate assuming an increase in demand of 15 new customers, based on an average night rate for a three-bed home for 32 weeks to March 2022 will cost £225k gross (excluding housing benefit, subsidy, and customer contributions)

The ban on eviction was lifted recently and families with dependent children being evicted but these were assured short-hold tenancies where a notice to quit was issued before the eviction ban but to date none presented to LBM. The service expects that other evictions due to mortgage repossessions due to loss of employment, and societal deprivations could lead to an increase in demand but to date this service is not overwhelmed with such cases.

Nationally there is a debate regarding asylum seekers and their housing needs. Whilst asylum status is being assessed the housing duty sits with the Home Office but after a positive decision and the ending of section 95 accommodation the individual could make an application to LBM and the service will be under a legal duty to assess that application which may include the provision of accommodation.

The recent agreement with Capital Letters will allow the service not to fix the shortfall of affordable accommodation being available but it will I hope certainly help the service to gain access to more properties.

Analysis of Housing and Temporary Accommodation Expenditure to June 2021

Housing	Total Budget 21/22 £000	Forecast (June'21) £'000	Forecast Variances (June'21) £'000	Forecast Variances (May'21) £'000	Outturn Variances (March'21) £000
Temporary Accommodation-Expenditure	2,439	3,304	865	1,264	1,286
Temporary Accommodation-Client Contribution	(140)	(350)	(210)	(260)	(253)
Temporary Accommodation-Housing Benefit Income	(2,087)	(2,634)	(547)	(1,007)	(931)
Temporary Accommodation-Subsidy Shortfall	322	1,202	880	1,061	1,029
Temporary Accommodation-Grant	0	(935)	(935)	(985)	(851)
Subtotal Temporary Accommodation	**534**	**586**	**52**	**73**	**280**
Housing Other Budgets	3,041	3,242	201	111	209
Total Controllable (Favourable)/Adverse Variance	**3,575**	**3,759**	**253**	**184**	**489**

Table below shows number of households in Temporary Accommodation to June 2021.

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month	Previous Year
Mar'17	-	-	186	Position as at March for previous financial year ←
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
Mar'21	11	7	197	
			2021/22	2020/21

Apr'21	**12**	**10**	**199**	**196**
May'21	**16**	**17**	**198**	**204**
June'21	**9**	**16**	**191**	**213**

Temporary accommodation numbers show a net decrease of 2 (48 in 50 out) household between March 2021 and June 2021 and numbers are much lower as at June 2020 when it was 213 but higher at this stage in 2019/20 which was 170. Thus, could be concluded that the increase in 2021/22 compared to 2019/20 could be attributed to covid-19 but it is difficult to confirm that this is the sole cause.

Public Health –Breakeven positions

The service continues to forecast a breakeven position as at June 2021.

Potential Cost pressures: -

The service continues to seek a resolution with NHS provider CLCH for both the children's contract (health visitors and school nurses) and for sexual health. The provider is currently involved in an open-book exercise.

The team, together with public protection, is leading on outbreak management and Covid-19 resilience, implementing the refreshed Local Outbreak Management Plan (LOMP) which includes provision of local contact tracing, support for community testing with Lateral Flow Tests (LFTS) and surge testing in cases of outbreaks and variants of concern.

4 Corporate Items

4.1 The details comparing actual expenditure up to 30 June 2021 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line: -

Corporate Items	Current Budget 2021/22 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	Outturn Variance 2020/21 £000s
Impact of Capital on revenue budget	**11,157**	**11,012**	**(145)**	**0**	**(27)**
Investment Income	(387)	(430)	(43)	(43)	(141)
Pension Fund	86	86	0	0	2,646
Pay and Price Inflation	3,338	3,338	0	0	(250)
Contingencies and provisions	25,955	25,955	0	0	331
Income Items	(2,223)	(2,223)	0	0	7,413
Appropriations/Transfers	(7,398)	(7,398)	0	0	(7,848)
Central Items	**19,371**	**19,328**	**(43)**	**(43)**	**2,151**
Levies	959	959	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
TOTAL CORPORATE PROVISIONS	**5,894**	**5,706**	**(188)**	**(43)**	**2,124**
COVID-19 Emergency expenditure	0	848	848	760	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**5,894**	**6,553**	**660**	**717**	**7,480**

4.2 Based on expenditure to 30 June 2021, a favourable variance of £188,000 is forecast for corporate items. This is an improvement of £145,000 since May which is due to a favourable forecast of £145,000 in capital financing costs following a review of the costs of financing the capital programme resulting from the accounts closure for 2020/21.

5 Capital Programme 2021-25

5.1 The Table below shows the movement in the 2021/25 corporate capital programme since the last monitoring report:

Depts	Current Budget 21/22	Variance	Revised Budget 21/22	Current Budget 22/23	Variance	Revised Budget 22/23	Original Budget 2023-24	Variance	Revised Budget 23/24	Original Budget 2024-25	Variance	Revised Budget 24/25
Corporate Services	10,655		**10,655**	6,968		**6,968**	5,245		**5,245**	13,534		**13,534**
Community & Housing	1,068		**1,068**	2,450		**2,450**	752		**752**	480		**480**
Children Schools & Families	8,249	167	**8,416**	4,240		**4,240**	1,900		**1,900**	1,900		**1,900**
Environment and Regeneration	19,987	(931)	**19,055**	8,819	308	**9,127**	7,364	554	**7,918**	7,324		**7,324**
Total	**39,958**	**(764)**	**39,194**	**22,477**	**308**	**22,784**	**15,261**	**554**	**15,815**	**23,238**	**0**	**23,238**

5.2 The table below summarises the position in respect of the 2021/22 Capital Programme as at June 2021. The detail is shown in Appendix 5.

Capital Budget Monitoring - June 2021

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	123,373	541,297	(417,924)	10,655,040	10,555,040	(100,000)
Community and Housing	184,275	101,242	83,033	1,067,820	1,067,820	(0)
Children Schools & Families	848,625	172,816	675,809	8,415,690	8,353,970	(61,720)
Environment and Regeneration	2,220,155	3,544,918	(1,324,763)	19,055,440	18,954,100	(101,340)
Total	**3,376,429**	**4,360,273**	**(983,844)**	**39,193,990**	**38,930,930**	**(263,060)**

a) Corporate Services – Budget managers are currently forecasting one underspend on Customer Contact of £100k.

b) Community and Housing – Budget managers are projecting full spend against budgets.

c) Children, Schools and Families – At present there are a number of variances shown on the Schools Capital Maintenance (net projected underspend of £62k) these reflect the outcome of the tendering processes undertaken over the spring.

d) Environment and Regeneration – After the adjustments to the programme detailed in the Table on the next page officers are projecting full spend on their budgets apart from:

- Officers are projecting an underspend on waste bins of £30k
- Officers are showing an underspend on one of the Paddling Pool options, as both options are currently contained in the programme – the current forecast assumes the SCIL funded scheme is unspent as this has the least impact on funding. The outcome of any consultation in relation to paddling pools is not yet known
- Officers are projecting a £155k overspend on the Canons Parks for the People Scheme (split £55k within Mitcham Area Regeneration and £100k within Parks Investment. Officers will be bidding for Strategic CIL to fund this projected shortfall.

		Budget 2021-22	Budget 2022-23	Budget 2023-24	Narrative
Environment and Regeneration		£	£		
Highways and Footways - Casualty Reduction in Schools		(11,960)			Adjustment to allocated TfL Funding
Highways and Footways - Highways bridges & structures	(1)	(105,000)			Building Enhancements and Increased Capacity to Salt Store initially funded by virement
Highways and Footways - Salt Barn Upgrade	(1)	105,000			
Unallocated TfL		11,960			Adjustment to allocated TfL Funding
Highways and Footways - Surface Water Drainage		1,000			Additional S106 Budget
Parks Investment		30,000			ECB Grant for Non Turf Pitches
CCTV Investment - CCTV and Infrastructure Upgrade	(1)	(662,100)	107,630	554,470	Profiled in line with projected spend
Morden Regeneration - Morden Town Centre Imp	(1)	(300,000)	200,000		Profiled in line with projected spend - £100k to Revenue
Total		**(931,100)**	**307,630**	**554,470**	

(1) Requires Cabinet approval

5.3 The table below summarises the movement in the Capital Programme for 2020/21 since its approval in March 2020 (£000s):

Depts.	Original Budget 21/22	Net Slippage 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 21/22
Corporate Services	11,205	1,123			153	(1,826)	**10,655**
Community & Housing	1,132	135				(200)	**1,068**
Children Schools & Families	9,050	432	135	1,139		(2,340)	**8,416**
Environment and Regeneration	19,408	3,141	(443)	30	22	(3,102)	**19,055**
Total	**40,795**	**4,831**	**(308)**	**1,169**	**175**	**(7,468)**	**39,194**

5.4 The table below compares capital expenditure (£000s) to June 2021 to that in previous years':

Depts.	Spend To June 2018	Spend To June 2019	Spend to June 2020	Spend to June 2021	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	652	275	349	123	(529)	(152)	(226)
C&H	176	146	66	184	8	39	119
CSF	548	1,550	46	849	300	(701)	803
E&R	2,300	300	759	2,220	(80)	1,920	1,461
Total Capital	**3,677**	**2,270**	**1,220**	**3,376**	**(301)**	**1,106**	**2,157**

Outturn £000s	31,424	26,960	15,123	
Budget £000s				39,194
Projected Spend June 2021 £000s				38,931
Percentage Spend to Budget				8.61%
% Spend to Outturn/Projection	11.70%	8.42%	8.07%	8.67%
Monthly Spend to Achieve Projected Outturn £000s				3,728

5.5 June is one quarter into the financial year and departments have spent just over 8.6% of the budget. Spend to date is higher that two of the last three previous financial years

Department	Spend To May 2021 £000s	Spend To June 2021 £000s	Increase £000s
CS	(4)	123	128
C&H	82	184	102
CSF	404	849	445
E&R	815	2,220	1,405
Total Capital	1,298	3,376	2,079

5.6 During June 2021 officers spent just under £2.1 million, to achieve year end spend officer would need to spend approximately £3.7 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

5.7 Appendix 5C summarises the impact of the budgetary changes to the Capital Programme on funding. These changes include receipt of an additional £1.44m from TfL towards the cost of Bishopsford Bridge.

6 DELIVERY OF SAVINGS FOR 2021/22

Progress on savings 2021/22

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 3 Forecast Shortfall	Period Forecast Shortfall (P3)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	95
Children Schools and Families	1,460	1,060	400	27.4%	0
Community and Housing	2,541	1,557	984	38.7%	860
Environment and Regeneration	1,580	964	616	39.0%	0
Total	6,903	4,671	2,232	32.3%	955

Appendix 6 details the progress on unachieved savings from 2021/22 by department and the impact on the current year and next year.

Progress on savings 2020/21

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (June)	Projected Shortfall 2022/23 (June)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	658
Children Schools and Families	2,969	664	300	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,256	0
Total	12,074	5,048	2,897	786

Appendix 7 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year.

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

13.1 The risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

14. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

Appendix 1-	Detailed Corporate Items table
Appendix 2 –	Pay and Price Inflation
Appendix 3 –	Treasury Management: Outlook
Appendix 4 -	Miscellaneous Debt Update June 2021
Appendix 5A –	Current Capital Programme
Appendix 5B -	Detail of Virements
Appendix 5C -	Summary of Capital Programme Funding
Appendix 6 –	Progress on savings 2021/22
Appendix 7 –	Progress on savings 2020/21

15. BACKGROUND PAPERS

15.1 Budgetary Control files held in the Corporate Services department.

16. REPORT AUTHOR

- Name: Roger Kershaw
- Tel: 020 8545 3458
- Email: roger.kershaw@merton.gov.uk

APPENDIX 1

3E.Corporate Items	Council 2021/22 £000s	Current Budget 2021/22 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	Outturn Variance 2020/21 £000s
Cost of Borrowing	11,157	11,157	2,789	727	11,012	(145)	0	(27)
Impact of Capital on revenue budget	**11,157**	**11,157**	**2,789**	**727**	**11,012**	**(145)**	**0**	**(27)**
Investment Income	**(387)**	**(387)**	**(97)**	**(107)**	**(430)**	**(43)**	**(43)**	**(141)**
Pension Fund	**86**	**86**	**86**	**0**	**86**	**0**	**0**	**2,646**
Pay and Price Inflation	**3,338**	**3,338**	**834**	**0**	**3,338**	**0**	**0**	**(250)**
Contingency	1,500	1,500	375	12	1,500	0	0	(365)
Bad Debt Provision	1,500	1,500	375	0	1,500	0	0	388
Loss of income arising from P3/P4	400	400	100	0	400	0	0	0
Loss of HB Admin grant	23	23	6	0	23	0	0	(23)
Apprenticeship Levy	450	450	113	(35)	450	0	0	(80)
Revenuisation and miscellaneous	8,005	8,005	2,001	0	8,005	0	0	411
Growth - Provision against DSG	14,078	14,078	3,520	0	14,078	0	0	0
Contingencies and provisions	**25,955**	**25,955**	**6,489**	**(24)**	**25,955**	**0**	**0**	**331**
Other income	0	0	0	1	0	0	0	7,413
CHAS IP/Dividend	(2,223)	(2,223)	(556)	(60)	(2,223)	0	0	0
Income items	**(2,223)**	**(2,223)**	**(556)**	**(59)**	**(2,223)**	**0**	**0**	**7,413**
Appropriations: CS Reserves	(1,656)	(1,656)	(414)	0	(1,656)	0	0	0
Appropriations: E&R Reserves	(50)	(73)	(18)	0	(73)	0	0	0
Appropriations: CSF Reserves	(303)	0	0	0	0	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(26)	0	(104)	0	0	0
Appropriations:Public Health	(93)	(93)	(23)	0	(93)	0	0	0
Appropriations:Corporate Reserves	(5,472)	(5,472)	(1,368)	0	(5,472)	0	0	(7,848)
Appropriations/Transfers	**(7,678)**	**(7,398)**	**(1,850)**	**0**	**(7,398)**	**0**	**0**	**792**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**(25,593)**	**0**	**(25,593)**	**0**	**0**	**0**
Central Items	**4,654**	**4,934**	**(17,897)**	**538**	**4,746**	**(188)**	**(43)**	**2,124**
Levies	**959**	**959**	**240**	**959**	**959**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**5,614**	**5,894**	**(17,657)**	**1,497**	**5,706**	**(188)**	**(43)**	**2,124**
COVID-19 Emergency expenditure	0	0	0	636	848	848	760	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**5,614**	**5,894**	**(17,657)**	**2,133**	**6,553**	**660**	**717**	**7,480**

APPENDIX 2

Pay and Price Inflation as at June 2021
In 2021/22, the budget includes 1,5% for increases in pay and 1.5% for increases in general prices, with an additional amount which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 2.1% and RPI at 3.3% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:
When the Government published Spending Review 2020 on 25 November 2020, the Chancellor of the Exchequer announced that, as part of the response to the economic impacts of the COVID-19 pandemic, public sector pay will be "paused" for 2021/22. There will be an exemption for NHS staff. In addition, workers earning below £24,000 will receive a pay rise of at least £250 (although for some this could still represent a pay cut in real terms). This policy is only directly binding on the Civil Service and parts of the public sector that are covered by the Pay Review Bodies. Public sector pay policy is reflected in the remits that are issued to the Pay Review Bodies and Government departments. Pay awards for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services. The Local Government Association, which represents the employer side in the National Joint Council, has said that it is not bound by this pay policy but that pay awards will depend on the funding that local government receives through the financial settlement.

With 1.5% provided for a pay award in 2021/22, any increase of 1% on this would add c.£0.9m to costs.

In February 2021, unions submitted a pay claim of 10% plus other requirements but on 14 May 2021 the National Employers made a pay offer of 1.5% to the NJC unions.(A summary of the unions claim and the employer's offer is provided at annex 1).

Prices:
The latest statistics have been affected by COVID-19 but this is diminishing. As a result of the easing of coronavirus (COVID-19) restrictions, the number of CPIH items identified as unavailable in June 2021 fell to 14, mostly relating to international travel, and accounting for 1.3% of the basket by weight; the ONS collected a weighted total of 81.4% of the comparable coverage collected before the first lockdown in 2020 (excluding unavailable items).

The Consumer Prices Index (CPI) rose by 2.5% in the 12 months to June 2021, up from 2.1% to May; on a monthly basis, CPI rose by 0.5% in June 2021, compared with a rise of 0.1% in June 2020.

Prices for food, second-hand cars, clothing and footwear, eating and drinking out, and motor fuel rose in 2021 but mostly fell in 2020, resulting in the largest upward contributions to the change in the 12- month inflation rate between May and June 2021. These were partially offset by a large downward contribution from games, toys and hobbies, where prices fell this year but rose a year ago.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 2.4% in the 12 months to June 2021, up from 2.1% to May.

The RPI rate for June 2021 was 3.9%, which is up from 3.3% in May 2021.

Outlook for inflation:
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. Previously at a special meeting on 19 March 20020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 22 June 2021, the Committee judged that the existing stance of monetary policy remained appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted by a majority of 8-1 for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion.The next MPC decision on the Bank Base Rate will be published on 5 August 2021.

The MPC's decision drew strongly on changes since the projections in the May Monetary Policy Report. In the MPC's central projection in the May Monetary Policy Report, UK GDP had been expected to recover strongly over 2021, to pre-Covid levels. In those projections, as the vaccination programme advanced and restrictions on economic activity were eased further, output was boosted by a decline in public health concerns and a fall in uncertainty, as well as by announced fiscal and monetary stimulus, and by households running down some of their additional accumulated savings. Spare capacity in the economy had been expected to be eliminated as activity picked up during 2021, and there was expected to be a temporary period of excess demand, before demand and supply returned broadly to balance. CPI inflation had been projected to rise temporarily above the 2% target, owing mainly to developments in energy prices. As these transitory effects faded, conditioned on the market path for interest rates, inflation was expected to return to around 2% in the medium term.

However, the MPC state that "since May, developments in global GDP growth had been somewhat stronger than anticipated, particularly in advanced economies. Global activity was now expected to pick up by more in 2021 Q2, largely accounted for by stronger-than-expected growth in the euro area. Changes in the composition of spending since the onset of the pandemic had fuelled a rapid rebound in world trade in goods and global manufacturing output. Combined with supply-side constraints and transportation bottlenecks, this had led to a pickup in the prices of commodities and manufactured goods. Since the MPC's previous meeting, global price pressures had picked up further, and had started to become apparent in consumer price inflation in some advanced economies. Financial market measures of inflation expectations suggested that the near-term strength in inflation was expected to be transitory."

At the same time private sector pay growth in the first quarter has been 5.6% higher than a year ago and is expected to increase to almost 8% in the second quarter.

In terms of the outlook for inflation in the next few months the MPC note that "twelve-month CPI inflation had risen from 1.5% in April to 2.1% in May, above the MPC's 2% target and 0.3 percentage points higher than expected in the May Report. Core CPI inflation had also risen from 1.3% to 2.0%, and, excluding the estimated impact of the temporarily reduced VAT rate for hospitality, holiday accommodation and attractions, it had risen from around 1½% to around 2¼%. Core goods inflation had risen to 2.3%, its strongest rate since early 2018. Building global input cost pressures had increasingly been passed through into manufacturing output prices and non-oil import prices. CPI inflation was expected to pick up further above the target, owing primarily to developments in energy and other commodity prices, and was likely to exceed 3% for a temporary period, peaking higher than previously thought."

The MPC made its decision in the expectation that the direct impact of commodity prices on CPI inflation will be transitory and concluded that "more generally, the Committee's central expectation was that the economy would experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation would fall back. There were two-sided risks around this central path, and it was possible that near-term upward pressure on prices could prove somewhat larger than expected."

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following table:-

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (July 2021)			
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.7	3.5	2.6
RPI	3.3	5.1	4.0
LFS Unemployment Rate	4.9	6.5	5.6
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.0	5.1	2.1
RPI	2.0	6.4	3.0
LFS Unemployment Rate	4.3	5.9	4.9

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from COVID-19 and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2020 to 2024 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (May 2021)					
	2021	2022	2023	2024	2025
	%	%	%	%	%
CPI	1.6	2.3	2.1	2.1	2.0
RPI	2.5	3.1	3.0	3.0	2.9
LFS Unemployment Rate	5.4	5.4	4.7	4.4	4.3

Appendix 3

Treasury Management: Outlook

The Bank's Monetary Policy Committee (MPC) sets monetary policy to keep inflation low and stable, which supports growth and jobs. Subject to maintaining price stability, the MPC is also required to support the Government's economic policy. The Government has set the MPC a target for the 12-month increase in the Consumer Prices Index of 2%.

The MPC currently uses two main monetary policy tools.

1. setting the interest rate that banks and building societies earn on deposits, or 'reserves', placed with the Bank of England — this is Bank Rate.
2. buying government and corporate bonds, financed by the issuance of central bank reserves — this is asset purchases or quantitative easing.

At its meeting ending on 22 June 2021, the Committee judged that the existing stance of monetary policy remained appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion.

The Monetary Policy Committee's (MPC's) core approach is summarised in the minutes as they note that "In judging the appropriate stance of monetary policy, the Committee will, consistent with its policy guidance and as always, focus on the medium-term prospects for inflation, including the balance between demand and supply, and medium-term inflation expectations, rather than factors that are likely to be transient. The MPC will continue to monitor the situation closely and will take whatever action is necessary to achieve its remit. The Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably. The Committee will have the opportunity to assess the economic outlook more fully in the context of its August Monetary Policy Report and accompanying economic projections."

The speed at which inflation has exceeded the 2% target has clearly been quicker than the MPC expected. The MPC expect the economy to experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation fall back. However, they identify risks around this central path, whereby near-term upward pressure on prices prove somewhat larger than expected. The MPC will place weight on the implications of any changes to its projections for spare capacity and inflation, and to the risks around them. Clear evidence of significant progress against those conditions should be demonstrated by developments in economic data, including the degree to which current inflationary pressures proved temporary or more persistent. The MPC sum this up as "on one view, forthcoming data had the potential to provide an early indication of sustained economy-wide inflationary pressures. On another view, weight should also be put on developments over a somewhat longer period of time, such as how unemployment and wider measures of slack in the labour market, and hence underlying wage pressures, would be affected once the furlough scheme ended, and the impact more generally of the withdrawal of government support measures. It would be important to continue to monitor closely movements in measures of medium-term inflation expectations."

In the May 2021 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (May 2021)			
	2021 Q.2	2022 Q.2	2023 Q.2	2024 Q.2
GDP	21.5	7.1	1.4	1.1
CPI Inflation	1.7	2.3	2.0	1.9
LFS Unemployment Rate	5.2	4.7	4.3	4.3
Excess Supply/Excess Demand	-1.25	0.5	0	0
Bank Rate	0.1	-0.1	-0.3	0.6

The conclusions that the MPC reach in the May 2021 Monetary Policy Report are supported by the following Key Judgements:--

<u>Key judgement 1:</u> activity recovers to pre-Covid levels in late 2021 as the vaccination programme results in the easing of restrictions and fading uncertainty.

<u>Key judgement 2:</u> in the medium term, the pace of the expansion in UK GDP slows, as supply growth returns to subdued longer-term trends and the effects of some factors boosting demand growth wane.

<u>Key judgement 3</u>: inflation rises in the near term and temporarily rises above 2% in late 2021 reflecting the impact of energy prices; in the medium term, supply and demand are broadly in balance and inflation is around the target.

Appendix 4

Subject: Miscellaneous Debt Update June 2021

1. LATEST ARREARS POSITION – MERTON'S AGED DEBTORS REPORT

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 June 2021, is shown in column F of the table below.

1.2 Please note that on the 6 February 2017 the new financial computer system E5 went live and this included the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 30 June 2021 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	June 21 arrears f	March 21 arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	4,548,447	621,161	860,111	347,706	6,377,425	4,825,981	↑
Corporate Services	875,470	76,761	78,080	121,959	1,152,270	454,927	↑
Housing Benefits	314,805	238,728	887,821	3,357,910	4,799,264	5,009,743	↓
Children, Schools & Families	320,616	178,055	185,371	470,629	1,154,670	1,470,448	↑
Community & Housing	1,260,891	594,947	779,124	2,057,073	4,692,035	4,777,970	↓
Chief Executive's					-	-	-
CHAS 2013	84,819	5,430	7	-	90,257	82,610	↑
Total	7,405,048	1,715,082	2,790,513	6,355,277	18,265,920	16,621,679	↑

1.3 Since the position was last reported on 31 March 2021, the net level of arrears, i.e. invoices over 30 days old, has increased by £1,644,241.

1.4 Since last reported at the end of March there have been increases in Environmental Services and Corporate Services debts.

1.5 For more detail on the increases please see from 2.15 below.

1.6 The debt recovery team continue to proactively pursue all outstanding sundry debt, working with service departments to improve collection.

2 IMPACT OF COVID19

2.1 Towards the end of March 20, all recovery action for council tax, business rates, sundry debt, parking PCN's and enforcement work ceased.

2.2 Gradually over the next year recovery action was re-commenced for all debt types.

2.3 **Council Tax**

2.4 At the end of March 2021, the full year collection rate was 0.98% down from the previous year. The shortfall in council tax income for the year was £1.197 million, Merton's share of this shortfall would be £946,000.

2.5 The collection rate for 2021/22 as at the end of June was 29.9%, this is a slight increase from 2020/21 when the collection rate was 29.8%. Just over £39 million in council tax has been collected.

2.6 Normal recovery action for non-payment of council tax has been undertaken with reminders, SMS and summonses being issued.

2.7 The Court Service has now agreed monthly remote Liability Hearings from mid-April which has helped with collection.

2.8 Debts are also regularly being referred to the enforcement team to pursue debts where the residents have failed to contact us or adhere to payment arrangements..

2.9 **Business Rates**

2.10 At the end of March 2021, the full year collection rate was 7.87% down from the previous year. The shortfall in business rates income for the year was £3.814 million, Merton's share of this shortfall would be £1.144 million.

2.11 The collection rate for 2021/22 as at the end of June was 17.59%, this is a reduction on the 2020/21 figure of 23.61%. Just over £13.1 million has been collected.

2.12 From the 1st April 2021 to 30 June 2021 100% retail and nursery relief had been granted to all qualifying businesses. From 1st July this relief reduced to 66%. This means that many retail, hospitality, leisure businesses, and nurseries will receive a rates bill for the first time in 15 months. This may further impact the collection rate for the year.

2.13 Recovery action has taken place although where businesses are contacting us for help we are continuing to defer their payments for both this year and last year.

2.14 Reminders and summonses have been issued and we have obtained Liability Orders for non-payment against some businesses. Selecetd cases have been passed to the enforcement team for collection.

2.15. **Sundry Debt**

2.16 As detailed in the table above in 1.2, debt older than 30 days for all departments has reduced since December 20 by just over £1.6 million. .

2.17 Normal recovery action continues to take place, with reminders and final notices being issued.

2.18 Staff are progressing selected cases to the in-house legal service for collection.

2.19 Since last reported in March 21 – CIL (Community Infrastructure Levy) debt over 30 days has increased by almost £2 million

2.20 However, of CIL invoices issued and over 30 days, £2.3 million of the debt is not payable until between August 21 and February 22.

2.21 The aged debt report shows these debts as outstanding as the invoice has been raised although the payment due date of the invoice is in advance.

2.22 Since last reported in March 21 Legal services debt had increased from £157,000 to £460,000 and Facilities Management debt increased from £28,000 to £128,000.

2.23 Both of these debts have reduced as at the end of July to March levels. From previous experience some of these customers pay after the 30 days and depending on the timing of the invoice will show as owed at the end of each quarter.

2.24 There are two debtors who owe outstanding invoices totally over £250,000 for PPE recharging. These debtors are being pursued.

2.25 Adult Social Care debt has increased from £3.690 million at the end of March 21 to £3.962 million at the end of June 21. An increase of £270,000. Although the increase in debt is partly due to an increase of debt that is less than 30 days old, which increased by £325,000..

2.26 The overall trend is that Adult Social Care debt has reduced over the past two years. In June 20 the debt was £4.648 million, so in the past year there has been a reduction of £686,000. The improvements to working processes, targeted collection, increased legal action and ongoing monitoring has contributed to the improvement.

2.27 **Housing Benefit Overpayments**

2.28 Invoices had continued to be issued for new debts but no other recovery action was re-commenced.

2.29 Housing Benefit overpayment debt has reduced very slightly from £7.19 million in March 201to £7.18 million at the end of June 21.

2.30 A large proportion of housing benefit debts not on payment arrangements is over two years old. An exercise has commenced to target these debts to establish where recovery is possible. It is likely that some will have to be written off as uncollectable.

2.31 **Parking Debts**

2.32 The number of PCN's issued has increased considerable between April and August compared to last year. Last year between 1 April 20 and 10 August 20 29,269 were issued and for this year 51,544.

2.33 Parking services continue to escalate unpaid PCN's through the recovery process. There are 2,700 cases where warrants will be obtained and passed to the enforcement team for collection.

2.33 Debt Registration is now up to date and cases being passed to the enforcement team where they remain unpaid on a regular basis.

2.34 **Enforcement service (bailiffs)**

2.35 Enforcement Agents ceased visits in March before the Government formally announced a stop to enforcement work.

2.36 Re-engagement letters were issued before the in-house team re-commenced enforcement visits. There has been a gradual return to debt collection from October 20 to April 21. Now the team is collecting all debts again.

2.37 Risk assessments, new working procedures, refresher training have all been completed. All enforcement agents have been provided with PPE and have been instructed on undertaking covid-19 assessments within their work.

2.38 There has been an increase in the debt and costs the team have collected for both Merton and Sutton cases.

3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 June 2021 is detailed in the table below.

<u>Total debt outstanding as at 31 June 2021 and compared with previous periods over the past 15 months</u>

	Mar-20	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**
	£	**£**	**£**	**£**	**£**	**£**
Miscellanous sundry debt Note 1	15,997,460	18,485,599	15,943,871	16,453,772	16,414,842	17,762,694
Housing Benefit debt	7,644,804	7,758,894	7,611,691	7,342,968	7,190,534	7,186,188
Parking Services	3,489,345	3,645,037	3,967,251	4,895,362	4,661,940	4,201,421
Council Tax Note 2	8,755,512	8,182,271	7,721,592	7,139,145	10,927,588	9,054,527
Business Rates Note 3	3,661,859	3,725,128	3,689,921	3,611,524	8,414,383	6,234,231
Total	**39,548,980**	**41,796,929**	**38,934,326**	**39,442,771**	**47,609,287**	**44,439,061**

Note 1 The amount shown against miscellaneous sundry debt above differs from the amount shown in table 1 as it shows all debt, including debt which is less than 30 days old and table 1only includes debt over 30 days old and also includes housing benefit overpayments which is shown separate in the table above.

Note 2 Council tax debt now includes unpaid council tax for 2020/21 in March 21 figures hence the increase.
Note 3 Business rates debt now includes unpaid business rates for 2020/21 in March 21 figure hence the increase.

3.1 The overall debt outstanding has reduced by £3,170,226 since last reported at the end of March 2021.

3.2 A more relevant comparison is between June 2020 and June 2021. The changes in outstanding debt are as follows

Overall £2,642,132 increase
Sundry debt £722,905 decrease
Housing Benefit £572,706 decrease
Council Tax £872,256 increase
Parking £556,384 increase
Business Rates £2,509,103 increase

3.3 The large increase in previous years debts for council tax and business rates is due to the lower collection rates due to the impact of the pandemic and the fact that we have not undertaken normal recovery action during the year.

3.4 Detailed breakdowns of the Council Car Parking figures as at 31 March 2021 are shown in the table below:

Age of Debt			
Age of Debt **0-3 months**	**Outstanding** **£**	**Number of PCNs**	**Average Value** **£**
3-6 months	£1,307,870	13710	**£92**
6-9 months	£350,476	2236	**£154**
9-12 months	£472,709	2742	**£170**
12-15 months	£492,879	2740	**£181**
Older than 15 months	£256,278	1361	**£182**
Total	£1,321,207	7365	**£179**
	£4,201,421	30154	**£156**
Total March 2021	**£4,661,940**	**29,821**	
Increase/-decrease	**£460,733-**	**333+**	

APPENDIX AUTHOR - David Keppler (020 8545 3727/**david.keppler@merton.gov.uk**)

Appendix 5a

Capital Budget Monitoring- June 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Capital	**3,376,429**	**4,360,273**	**(983,844)**	**39,193,990**	**38,930,930**	**(263,060)**
Corporate Services	**123,373**	**541,297**	**(417,924)**	**10,655,040**	**10,555,040**	**(100,000)**
Customer, Policy and Improvement	**0**	**0**	**0**	**350,000**	**250,000**	**(100,000)**
Customer Contact Programme	0	0	0	350,000	250,000	(100,000)
Facilities Management Total	**13,771**	**498,682**	**(484,911)**	**2,272,500**	**2,272,500**	**0**
Works to other buildings	(9,228)	111,868	(121,096)	1,118,680	1,118,380	(300)
Civic Centre	0	0	0	60,000	60,300	300
Invest to Save schemes	22,999	386,814	(363,815)	1,093,820	1,093,820	0
Infrastructure & Transactions	**109,603**	**42,615**	**66,988**	**2,571,350**	**2,571,350**	**0**
Business Systems	36,455	15,000	21,455	1,268,020	1,268,020	0
Social Care IT System	8,295	0	8,295	157,180	157,180	0
Planned Replacement Programme	64,852	27,615	37,237	1,146,150	1,146,150	0
Corporate Items	**0**	**0**	**0**	**5,461,190**	**5,461,190**	**0**
Acquisitions Budget	0	0	0	200,000	200,000	0
Westminster Council Coroners Court	0	0	0	460,000	460,000	0
Compulsory Purchase Orders	0	0	0	4,801,190	4,801,190	0
Community and Housing	**184,275**	**101,242**	**83,033**	**1,067,820**	**1,067,820**	**(0)**
Adult Social Care	**0**	**0**	**0**	**30,400**	**30,400**	**(0)**
Telehealth	0	0	0	30,400	30,400	(0)
Housing	**173,937**	**81,259**	**92,678**	**837,590**	**837,590**	**0**
Disabled Facilities Grant	173,937	73,759	100,178	737,590	737,590	0
Major Projects - Social Care H	0	7,500	(7,500)	100,000	100,000	0
Libraries	**10,339**	**19,983**	**(9,644)**	**199,830**	**199,830**	**0**
Major Library Projects	10,339	17,583	(7,244)	175,830	175,830	0
Libraries IT	0	2,400	(2,400)	24,000	24,000	0

Appendix 5a

Capital Budget Monitoring- June 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	**848,625**	**172,816**	**675,809**	**8,415,690**	**8,353,970**	**(61,720)**
Primary Schools	**109,586**	**54,000**	**55,586**	**3,586,300**	**3,445,800**	**(140,500)**
Hollymount	0	0	0	60,000	62,000	2,000
West Wimbledon	10,843	0	10,843	350,000	350,000	0
Hatfeild	(2,389)	0	(2,389)	75,000	65,000	(10,000)
Hillcross	(1,047)	0	(1,047)	153,000	153,000	0
Joseph Hood	420	0	420	73,000	73,000	0
Dundonald	5,288	0	5,288	181,000	166,000	(15,000)
Merton Abbey	(530)	0	(530)	60,000	55,000	(5,000)
Pelham	0	0	0	50,000	43,000	(7,000)
Wimbledon Chase	1,318	0	1,318	176,000	176,000	0
Wimbledon Park	0	0	0	450,000	450,000	0
Abbotsbury	17,629	0	17,629	28,000	28,000	0
Malmesbury	0	0	0	90,000	96,000	6,000
Morden	(2,219)	0	(2,219)	0	0	0
Bond	0	0	0	33,000	33,500	500
Cranmer	20,986	24,000	(3,014)	59,000	54,000	(5,000)
Haslemere	0	0	0	150,000	150,000	0
Liberty	(487)	0	(487)	0	0	0
Links	4,480	0	4,480	180,000	133,000	(47,000)
St Marks	2,000	0	2,000	115,900	115,900	0
Lonesome	(1,875)	0	(1,875)	0	0	0
Sherwood	47,479	30,000	17,479	243,000	243,000	0
William Morris	7,690	0	7,690	215,000	155,000	(60,000)
Unallocated Primary School Proj	0	0	0	844,400	844,400	0

Appendix 5a

Capital Budget Monitoring- June 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Secondary School	**115,639**	**0**	**115,639**	**458,650**	**537,430**	**78,780**
Harris Academy Morden	0	0	0	135,000	135,000	0
Harris Academy Merton	0	0	0	34,170	34,170	0
Raynes Park	0	0	0	5,610	30,000	24,390
Ricards Lodge	0	0	0	5,610	30,000	24,390
Rutlish	0	0	0	71,000	101,000	30,000
Harris Academy Wimbledon	115,639	0	115,639	207,260	207,260	0
SEN	**534,280**	**0**	**534,280**	**3,779,290**	**3,779,290**	**0**
Perseid	(9,979)	0	(9,979)	364,130	364,130	0
Cricket Green	7,365	0	7,365	195,480	195,480	0
Melrose	538,751	0	538,751	2,337,980	2,337,980	0
Secondary School Autism Unit	0	0	0	50,000	50,000	0
Unallocated SEN	0	0	0	824,200	824,200	0
Melbury College - Smart Centre	(1,857)	0	(1,857)	7,500	7,500	0
CSF Schemes	**89,121**	**118,816**	**(29,695)**	**591,450**	**591,450**	**0**
Devolved Formula Capital	89,121	118,816	(29,695)	356,450	356,450	0
Children's Centres	0	0	0	55,000	55,000	0
Youth Provision	0	0	0	180,000	180,000	0

Appendix 5a

Capital Budget Monitoring- June 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	**2,220,155**	**3,544,918**	**(1,324,763)**	**19,055,440**	**18,954,100**	**(101,340)**
Public Protection and Development	**93,122**	**229,683**	**(136,561)**	**1,669,640**	**1,669,640**	**0**
On Street Parking - P&D	0	83,000	(83,000)	833,000	833,000	0
Off Street Parking - P&D	48,471	64,853	(16,382)	645,530	645,530	0
CCTV Investment	44,651	81,830	(37,179)	156,110	156,110	0
Public Protection and Development	0	0	0	35,000	35,000	0
Street Scene & Waste	**(44,086)**	**301,190**	**(345,276)**	**1,076,430**	**1,046,080**	**(30,350)**
Fleet Vehicles	74,698	298,790	(224,092)	924,000	924,000	0
Alley Gating Scheme	389	2,400	(2,012)	24,000	24,000	0
Waste SLWP	(119,173)	0	(119,173)	128,430	98,080	(30,350)
Sustainable Communities	**2,171,120**	**3,014,045**	**(842,925)**	**16,309,370**	**16,238,380**	**(70,990)**
Street Trees	2,794	0	2,794	134,590	134,590	0
Raynes Park Area Roads	0	0	0	2,970	2,970	0
Highways & Footways	1,489,351	1,903,314	(413,963)	8,683,160	8,683,440	280
Cycle Route Improvements	1,030	15,220	(14,190)	534,870	534,870	0
Unallocated TfL	0	(27,253)	27,253	484,260	484,260	0
Mitcham Area Regeneration	228,675	621,500	(392,825)	1,315,230	1,370,480	55,250
Wimbledon Area Regeneration	90,809	106,432	(15,623)	1,234,320	1,234,320	0
Morden Area Regeneration	0	15,000	(15,000)	150,000	150,000	0
Borough Regeneration	62,671	32,762	29,909	746,020	746,020	0
Morden Leisure Centre	0	0	0	26,620	26,620	0
Wimbledon Park Lake and Waters	116,860	117,796	(936)	1,177,960	1,177,960	0
Sports Facilities	(1,935)	31,345	(33,280)	399,700	399,700	0
Parks	180,864	197,929	(17,065)	1,419,670	1,293,150	(126,520)

Virement, Re-profiling and New Funding - June 2021

Appendix 5B

		2021/22 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2021/22 Budget	2022/23 Budget	Movement	Revised 2022/23 Budget	Narrative
		£	£		£	£	£		£	
Corporate Services										
Customer Contact Programme	(1)	**200,000**	(100,000)			**100,000**	**2,026,000**		**2,026,000**	Vired to a Specific Scheme
Customer Contact - Robotics Process Automation (RPA)	(1)	**0**	100,000			**100,000**	**0**		**0**	Vired from overall Programme
Children, Schools and Families										
William Morris - Capital Maintenance	(1)	**240,000**	(25,000)			**215,000**			**0**	Virements - projected spend capital maintenance
Hillcross - Capital Maintenance	(1)	**98,000**	55,000			**153,000**			**0**	Virements - projected spend capital maintenance
Sherwood - Capital Maintenance	(1)	**166,000**	77,000			**243,000**			**0**	Virements - projected spend capital maintenance
Harris Academy Wimbledon - New School	(1)	**187,260**	20,000			**207,260**			**0**	Virements - projected spend capital maintenance
Perseid Expansion	(1)	**29,130**	(20,000)			**9,130**			**0**	Virements - projected spend capital maintenance
Perseid - Capital Maintenance	(1)	**380,000**	(25,000)			**355,000**			**0**	Virements - projected spend capital maintenance
West Wimbledon - Capital Maintenance	(1)	**300,000**	50,000			**350,000**			**0**	Virements - projected spend capital maintenance
Unallocated Capital Maintenance Budget	(1)	**809,400**	(132,000)	167,000		**844,400**	**1,900,000**		**1,900,000**	£167k School Contributions - £132k virement to specific schemes
Environment and Regeneration										
Highways and Footways - Casualty Reduction in Schools		**67,160**	(11,960)			**55,200**	**0**		**0**	Adjustment to allocated TfL Funding
Highways and Footways - Highways bridges &structures	(1)	**884,000**	(105,000)			**779,000**	**260,000**			Building Enhancements and Increased Capacity to Salt Store initially funded by virement
Highways and Footways - Salt Barn Upgrade	(1)	**0**	105,000			**105,000**	**0**			
Unallocated TfL		**472,300**	11,960			**484,260**	**1,300,000**		**1,300,000**	Adjustment to allocated TfL Funding
Highways and Footways - Surface Water Drainage		**102,630**		1,000		**103,630**	**60,000**		**60,000**	Additional S106 Budget
Parks Investment		**404,090**		30,000		**434,090**	**300,000**		**300,000**	ECB Grant for Non Turf Pitches
CCTV Investment - CCTV and Infrastructure Upgrade	(1)	**818,210**			(662,100)	**156,110**	**480,000**	107,630	**587,630**	Profiled in line with projected spend
Morden Regeneration - Morden Town Centre Imp	(1)	**300,000**		(100,000)	(200,000)	**0**	**0**	200,000	**200,000**	Profiled in line with projected spend - £100k to Revenue
Total		**5,458,180**	**0**	**98,000**	**(862,100)**	**4,694,080**	**6,326,000**	**307,630**	**6,373,630**	

(1) Requires Cabinet approval **(2) Requires Council Approval**

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved May Monitoring	24,532	15,426	39,958
Childrens, Schools and Families			
Unallocated Capital Maintenance Budget	0	167	167
Environment and Regeneration			
Highways and Footways - Surface Water Drainage	1	0	1
Parks Investment	0	30	30
Highways and Footways - Bishopsford Bridge	(1,440)	1,440	0
CCTV Investment - CCTV and Infrastructure Upgrade	(662)	0	(662)
Morden Regeneration - Morden Town Centre Imp	(300)	0	(300)
Proposed June Monitoring	22,131	17,063	39,194

Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
May 21 Monitoring	16,028	6,449	22,477
Corporate Services			
CCTV Investment - CCTV and Infrastructure Upgrade	108	0	108
Morden Regeneration - Morden Town Centre Imp	200	0	200
June 2021 Monitoring	16,336	6,449	22,784

Capital Programme Funding Summary 2023/24

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Current Approved Budget	19,382	3,200	22,582
Corporate Services			
CCTV Investment - CCTV and Infrastructure Upgrade	554	0	554
June 2021 Monitoring	19,937	3,200	23,137

APPENDIX 6

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 3 Forecast Shortfall	Period Forecast Shortfall (P3)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	95
Children Schools and Families	1,460	1,060	400	27.4%	0
Community and Housing	2,541	1,557	984	38.7%	860
Environment and Regeneration	1,580	964	616	39.0%	0
Total	**6,903**	**4,671**	**2,232**	32.3%	**955**

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	SUSTAINABLE COMMUNITIES										
ENV2021-01	Future Merton: Street works team income (increase in income)	100	100	0	G	100	0	G	James McGinlay		
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R	70	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	**Y**
ENV2021-10	D&BC: Savings as a result of the 'Assure' M3 upgrade . Reduce BC/DC admin by 1 FTE	15	15	0	A	15	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	**Y**
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	0	80	R	80	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	**Y**
ENV2021-05	D&BC: Reduction is various minor budget spends	12	12	0	G	12	0	G	James McGinlay		
	PUBLIC PROTECTION										
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	26	26	0	G	26	0	G	Cathryn James		
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R	340	0	G	Cathryn James	Following the consultation process and approval by Merton, the proposal was put before London Council and, the process is now for GLA, Mayor for London and Secretary of State to approve. Process was delayed due to London Mayoral Election, officers working with GLA to progress the application. Earliest implementation will be in October 2021 pending approval in early quarter 2. The full saving will not be achieved in 2021/22. Additional questions raised by GLA have now been responded to. Application now to be sent by GLA to Mayor for London.	**Y**
ENV2021-04	Parking: EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	750	750	0	A	750	0	A	Cathryn James	Project delivery planned for Q 2 & 3 2021/22 including introduction of new Permit Changes and upgrade to Parking infrastructure (Payment Terminal). Project on track for operational delivery in Q2 & Q3	**N**
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	26	74	R	100	0	G	Cathryn James	Due to Covid and current on street activity this saving has not been met in Q1 2021. Operational consideration now being worked through for implementation in Q2/Q3.	**Y**
ENV2021-06	Service restructure across Safer Merton and CCTV	35	35	0	A	35	0	G	Cathryn James		**Y**
	PUBLIC SPACE										
ENV2021-09	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	52	0	52	R	52	0	G	John Bosley	Continues to be impacted by lockdown restrictions. With the reopen of our high street and the easing of lock down in July the service is confident that the level of FPNs issued will again be at pre COVID levels and supported by a sustainable payment rate of 70%.	**Y**
	Total Environment and Regeneration Savings 2021/22	**1,580**	**964**	**616**		**1,580**	**0**				

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
	Customers, Policy & Improvement										
2019-20 CS28	cash collection reduction	19	19	0	G	19	0	G	Sean Cunniffe		
2021-22 CS01	Cash collection contract	23	23	0	G	23	0	G	Sean Cunniffe		
2021-22 CS05	Contract savings and IT procurement	200	200	0	G	200	0	G	CPI AD		
2021-22 CS15	Delete a post from Customer Contact	32	32	0	G	32	0	G	Sean Cunniffe		
	Resources										
2018-19 CS07	Retender of insurance contract	25	0	25	R	0	25	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	15	0	15	R	15	0	A	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	40	0	A	David Keppler	Not achievable in year due to covid	Y
2021-22 CS12	Miscellaneous savings within Resources (eg. Consultancy)	69	69	0	G	35	0	G	Resources Senior Management	Includes a one off saving of £34k, saving target reduces to £35k from 2022/23 onwards	
	Corporate Governance										
2021-22 CS04	Establish income grant budget for transparency agenda	13	13	0	A	13	0	A	Karin Lane	Grant income expected but not yet confirmed by central govt.	N
2021-22 CS07	Remove previous inflation built in to reduce Overall Members' Allowances Budget	11	9	2	A	11	0	G	Andrew Robertson		Y
2021-22 CS08	reduced running costs due to canvass reform	10	10	0	G	10	0	G	Andrew Robertson		
2021-22 CS09	legal services - reduce affiliation, counsel and land registry fees	40	40	0	G	40	0	G	Paul Phelan		
2021-22 CS10	reduce AD budget running costs	6	6	0	G	6	0	G	Louise Round		

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
2021-22 CS14	Local Land Charges - amend income budget for service to reflect net cost recovery	90	90	0	G	90	0	G	Karin Lane		
	Human Resources										
2019-20 CS26	Review of contract arrangements	120	0	120	R	50	70	A	Liz Hammond	Delayed start of new contract arrangements due to covid. New contract arrangements to be agreed during this year in order for it to come into effect for 2022/23	Y
	Infrastructure & Technology										
2019-20 CS21	Implement phase 2 of the Flexible Working Programme to generate additional vacant floor space and generate income from commercial lease arrangements.	90	90	0	G	90	0	G	Edwin O'Donnell		
2019-20 CS23	Implement a means assessed charging scheme for appointeeships undertaken by the CFA team.	30	0	30	R	30	0	A	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
2021-22 CS06	Facilities Management - Reduction in various running costs.	75	75	0	G	75	0	G	Various I&T managers		
	Corporate										
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	16	16	0	G	16	0	G	David Keppler		
2021-22 CS02	Corporately funded items (eg. Supplies and services)	75	75	0	G	75	0	G	Senior Management		
2021-22 CS03	Realignment of Pension Added years budget	63	63	0	G	63	0	G	Senior Management		
2021-22 CS13	CHAS Dividend	260	260	0	G	260	0	G	Senior Management		
	Total CS Savings for 2021/22	**1322**	**1090**	**232**		**1193**	**95**	**0**			

APPENDIX 6

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Adult Social Care											
CH93	LD Offer- Proposal to review the LD offer to adults with learning disabilities	500	500	0	G		500	0	G	Gill Moore	The programme is underway	
CH94	Integration- Merton Health & Care Together Partnership Programme	500	40	460	R		40	460	G	John Morgan	Changes in the health landscape make savings through integrated working more difficult to deliver at this time	
CH95	Public Health	500	100	400	R		100	400	G	Dagmar Zeuner	Issues in negotations with the main provider has created significnt barriers to delivery this year	
CH96	Home care monitoring	110	110	0	G		110	0	G	Keith Burns	Project to broaden number of providers using ECM solution is in progress.	
CH98	Transport	200	200	0	A		200	0	G	John Morgan	The transport review has been delayed by COVID but this is offset in year by redcued concessioanry	
CH99	Promoting Independence	500	500	0	G		500	0	G	John Morgan		
CH102	Dementia Hub Recommissioning	55	55	0	G		55	0	G	Richard Ellis	The savings has been delivered for 2021/22 by achievement of additional contribution from health	
CH103	HRS Decommissiong Floating Support	176	52	124	A		176	0	G	Steve Langley	The work is in progress but has been delayed by COVID work	
	Subtotal Adult Social Care	2,541	1,557	984		0	1,681	860				
	Total C & H Savings for 2021/22	2,541	1,557	984			1,681	860				

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 21-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	21/22 RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-12	Review of public health commissioned services	**400**	**0**	**400**			**400**	**0**		**Sue Myers**	Full review to be undertaken	
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	**20**	**20**	**0**			**20**	**0**		**Sue Myers**	Full review to be undertaken	
CSF2019-17	Increased use of in-house foster care	**40**	**40**	**0**			**40**	**0**		**Sue Myers**	Full review to be undertaken	
CSF2019-18	Review and reshape shortbreaks provision	**200**	**200**	**0**			**200**	**0**		**Nick Wilson**	Full review to be undertaken	
CSF2019-19	SEND travel assistance	**150**	**150**	**0**			**150**	**0**		**Nick Wilson**	Full review to be undertaken	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	**450**	**450**	**0**			**450**	**0**		**Nick Wilson**	Full review to be undertaken	
2021-22 CSF03	CSF - Ongoing underspend	**200**	**200**	**0**			**200**	**0**		**Sue Myers/Nick Wilosn**	Full review to be undertaken	
	Total Children, Schools and Families Department Savings for 2021/22	**1,460**	**1,060**	**400**	**0**		**1,460**	**0**	**0**			

APPENDIX 7

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (June)	Projected Shortfall 2022/23 (June)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	658
Children Schools and Families	2,969	664	300	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,256	0
Total	**12,074**	**5,048**	**2,897**	**786**

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APPENDIX 7

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles**The above will be subject to the outcome of the consultation process in 2019.**	1,900	0	1,900	R	0	1900	R	1900	0	A	Cathryn James	PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now on par with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity. 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving was not be fully met in 2020/21. Lockdown continues in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed. ON STEET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible. For the period June through to October data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity on this will be closely monitored as Covid tiers are implemented and changed in future months. December and Christmas parking data shows less activity than in previous year and now Lockdown 3 (Jan) will continue to have a further significant detrimental effect in 'on and off street parking' activity Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to effect.	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R	340	0	A	340	0	G	Cathryn James	This saving will not be achieved in 2020/21. The consultation process had been extended to 28th June 2020 to allow further time for responses to be received due to the Covid 19 emergency. Following the consultation process and approval by Merton, the proposal was put before London Council in October 2020 and, the process is now for GLA, Mayor for London and Secretary of State to approve. It is estimated that if approval is granted the proposal could be implemented by April 2021	Y
ENV1920-02	Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	300	0	300	R	300	0	G	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this yearAs at June 2021 typical traffic movements remain affected with less ANPR activity. It is projected that this saving will not be fully met in 2021/22.	Y
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R	337	0	A	337	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achiving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends. As at June 2021 typical traffic movements remain affected with less ANPR activity. It is projected this saving will not be fully met in 2021/22.	Y

ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.	250	0	250	R	0	250	R	**250**	**0**	A	John Bosley	The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. The financial impact on this budget has been revised. This is being monitored closely and financial forecast will be amended accordingly if the current trend changes.	**Y**
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	**10**	**0**	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	**Y**
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	94	56	R	**150**	**0**	G	John Bosley	The commisioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 20/21 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams.	**N**
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	**64**	**0**	G	John Bosley		**N**
	Total Environment and Regeneration Savings 2020/21	**3,404**	**31**	**3,373**		**1,148**	**2,256**		**3,404**	**0**				

APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Adult Social Care														
CH76	OPMH Staffing	100	0	100	R		0	100	R	0	100		John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	72	28	R		72	28	R	72	28		Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
	Subtotal Adult Social Care	200	72	128		0	72	128		72	128				
	Total C & H Savings for 2020/21	200	72	128			72	128		72	128				

APPENDIX 7

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
	Customers, Policy & Improvement													
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	15	0	A	Sean Cunniffe	Charges not yet in place - to be reviewed.	Y
2018-19 CS07	Retender of insurance contract	50	0	50	R	7	43	A	7	43	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	20	0	G	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
	Corporate Governance													
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	0	50	A	0	50	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	0	20	A	0	20	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	0	45	A	0	45	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
	Infrastructure & Technology													
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	25	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	30	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
	Corporate													
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	0	500	R	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
	Total CS Savings for 2020/21	**755**	**0**	**755**		**22**	**213**	**0**	**97**	**658**				

APPENDIX 7

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 20-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-10	Reduced contribution towards the MSCB	44	10	34			44	0					Nick Wison		
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140			200	0					Nick Wilson		
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30			15	30					Sue Myers		
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	200			200	200					Sue Myers		
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40			60	0					Sue Myers		
CSF2019-13	Review of current Adolescent and Family service	100	30	70			30	70					Sue Myers		
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	30			45	0					Sue Myers		
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	50	0	50			50	0					Sue Myers		
CSF2019-18	Implementation of the DfE National Minimum rate	20	0	20			20	0					Sue Myers		
	Total Children, Schools and Families Department Savings for 2020/21	964	350	614			664	300		0	0	0			